

Audit Report

**Baltimore County, Maryland
Agricultural Land Transfer Tax Program**

**Statements of Revenues, Expenditures and Commitments
and Changes in Agricultural Land Transfer Taxes Retained
For the Years Ended June 30, 1997 and 1996**



Office of the County Auditor
Baltimore County, Maryland
August 1998

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**BALTIMORE COUNTY, MARYLAND
OFFICE OF THE COUNTY AUDITOR**

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MARY P. ALLEN, CPA
DEPUTY COUNTY AUDITOR

Independent Auditor's Report

Honorable Members of the County Council
Honorable C.A. Dutch Ruppertsberger, III, County Executive
Baltimore County, Maryland

Gentlemen:

We have audited the accompanying statements of revenues, expenditures and commitments and changes in agricultural land transfer taxes retained of the Agricultural Land Transfer Tax Program of Baltimore County, Maryland, for the years ended June 30, 1997 and 1996. These financial statements are the responsibility of the management of Baltimore County, Maryland. Our responsibility is to express an opinion on these financial statements based on our audit.

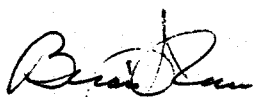
We conducted our audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared in conformity with the accounting practices prescribed by the State of Maryland, Department of Agriculture, which is a comprehensive basis of accounting other than generally accepted accounting principles.

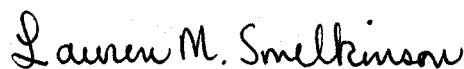
In our opinion, the financial statements referred to above present fairly, in all material respects, the revenues, expenditures and commitments and changes in agricultural land transfer taxes retained of the Agricultural Land Transfer Tax Program of Baltimore County, Maryland, for the years ended June 30, 1997 and 1996 on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued reports dated August 14, 1998 on our consideration of the Agricultural Land Transfer Tax Program's internal control structure (page 7) and on its compliance with laws and regulations (page 9).

This report is intended solely for the information and use of the State of Maryland, Department of Agriculture and Baltimore County, and should not be used for any other purpose. However, this report is a matter of public record and its distribution is not limited.



Brian J. Rowe, CPA
County Auditor



Lauren M. Smelkinson, CPA
Audit Manager

August 14, 1998

Baltimore County, Maryland
Agricultural Land Transfer Tax Program
Statements of Cash Receipts, Disbursements and Commitments
and Changes in Agricultural Land Transfer Taxes Retained
For the Years Ended June 30, 1997 and 1996

	FY 1997	FY 1996
Revenues:		
Agricultural Land Transfer Tax - County	\$ 973,131	\$189,743
Agricultural Land Transfer Tax - State	<u>324,377</u>	<u>63,265</u>
Total Agricultural Land Transfer Tax	1,297,508	253,008
Woodlands Transfer Tax - State	<u>6,000</u>	<u>7,600</u>
Total Revenues	<u>1,303,508</u>	<u>260,608</u>
Expenditures and Commitments:		
Payments to State of Maryland	330,377	70,865
Administrative Expenses (Note 3)	50,888	49,001
Commitments (Note 4)	<u>300,000</u>	<u>233,628</u>
Total Expenditures and Commitments	<u>681,265</u>	<u>353,494</u>
 Excess (Deficiency) of Revenues over Expenditures and Commitments	 622,243	 (92,886)
 Agricultural Land Transfer Taxes Retained:		
Beginning of Year	<u>732,507</u>	<u>825,393</u>
End of Year (Note 5)	<u>\$1,354,750</u>	<u>\$732,507</u>

The accompanying notes are an integral part of these financial statements.

Baltimore County, Maryland
Agricultural Land Transfer Tax Program
Notes to the Statements of Revenues, Expenditures and Commitments
and Changes in Agricultural Land Transfer Taxes Retained
For the Years Ended June 30, 1997 and 1996

1. Summary of Significant Accounting Policies

A. Agricultural Land Transfer Tax Program

The Agricultural Land Transfer Tax Program was established by the County to record the revenues, expenditures and commitments related to agricultural land transfer taxes levied by the State under the Maryland Agricultural Land Preservation Program. The State levies a transfer tax on the value of all property assessed as agricultural land or woodlands when that property is transferred. Md. Tax-Prop. Code Ann. Title 13, Subtitle 3 (1994). The State also levies the transfer tax plus penalty if there is a failure to comply with a declaration of intent to farm the land for five full, consecutive taxable years, or if the transferred property subsequently ceases to qualify for the agricultural use assessment. The total amount levied by the State is collected by the County. The County may retain a portion of the agricultural land transfer taxes collected for agricultural land preservation in accordance with §13-306 of the Tax-Property Article of the Annotated Code of Maryland (see Note 2).

Agricultural land preservation easements purchased under the Maryland Agricultural Land Preservation Program may be either “general” purchases, which do not require any County contribution, or “matching” purchases, which require the County to contribute at least 40% toward the State-negotiated purchase price. Easements purchased under the Baltimore County Agricultural Land Preservation Program are funded entirely by the County.

B. Basis of Accounting

The accompanying financial statements have been prepared on a regulatory basis of accounting in accordance with the accounting practices prescribed by the State of Maryland, Department of Agriculture. Revenues are recorded when collected, expenditures are recorded when the liability is incurred, and commitments are recorded when funds are reserved for future purchases.

Baltimore County, Maryland
Agricultural Land Transfer Tax Program
Notes to the Statements of Revenues, Expenditures and Commitments
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2. Agricultural Land Transfer Taxes Retained and Qualifying Expenditures

Except for transfer taxes attributable to "woodlands" which are remitted entirely to the State, the County retains 33% of agricultural land transfer taxes collected as a participating county. The County also retains additional transfer taxes equal to 42%, or a maximum of 75%, of the taxes collected as a certified county. Md. Tax-Prop. Code Ann. §13-306 (a-1) (1994). Local funds (e.g., agricultural land transfer taxes up to 33% of total collections as permitted by law, general obligation bonds, or other local funds) committed or expended for the purchase of easements, including related expenses, are considered qualifying expenditures which must equal or exceed the 42% in additional transfer taxes retained.

Agricultural land transfer taxes retained for Fiscal Years 1997 and 1996 were as follows:

<u>Agricultural Land Transfer Taxes</u>	<u>FY 1997</u>	<u>FY 1996</u>
33% Participation	\$428,178	\$ 83,487
42% Certification	<u>544,953</u>	<u>106,256</u>
Total Retained (75%)	<u>\$973,131</u>	<u>\$189,743</u>

Qualifying local funds committed or expended in Fiscal Years 1997 and 1996 were as follows:

<u>Qualifying Expenditures</u>	<u>FY 1997</u>	<u>FY 1996</u>
Agricultural Land Transfer Taxes	\$350,888	\$ 83,487
General Obligation Bonds	<u>509,891</u>	<u>777,385</u>
Total	<u>\$860,779</u>	<u>\$860,872</u>

3. Administrative Expenses

The amount of the Agricultural Land Preservation Program's annual administrative expenses is limited to the greater of \$30,000 or 10% of a county's unexpended and uncommitted transfer tax collections as of the preceding June 30. Md. Tax-Prop. Code Ann. § 13-306(b) (1994).

Baltimore County, Maryland
Agricultural Land Transfer Tax Program
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4. Commitments

Commitments represent agricultural land transfer tax collections which have been reserved for the purchase of agricultural land preservation easements. For Fiscal Years 1997 and 1996, the County committed \$300,000 and \$233,628, respectively, in agricultural land transfer tax collections.

5. Unexpended and Uncommitted Transfer Taxes

The County shall forfeit its share of agricultural land transfer taxes to the State if collections are not expended or committed within three years of receipt. Md. Tax-Prop. Code Ann. §13-306(c) (1994). As of June 30, 1997 and 1996, the balance of unexpended and uncommitted transfer taxes collected over the three-year period then ended were as follows:

<u>Fiscal Year</u> <u>Received</u>	<u>Balance as of</u> <u>June 30, 1997</u>	<u>Balance as of</u> <u>June 30, 1996</u>
1994	--	\$ 77,018
1995	\$ 191,876	465,746
1996	189,743	189,743
1997	<u>973,131</u>	<u>--</u>
Total	<u>\$1,354,750</u>	<u>\$732,507</u>



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Independent Auditor's Report

Honorable Members of the County Council
Honorable C.A. Dutch Ruppertsberger, III, County Executive
Baltimore County, Maryland

Gentlemen:

We have audited the statements of revenues, expenditures and commitments and changes in agricultural land transfer taxes retained of the Agricultural Land Transfer Tax Program of Baltimore County, Maryland (the Program) for the years ended June 30, 1997 and 1996 and have issued our report thereon dated August 14, 1998.

We conducted our audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of Baltimore County is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with the accounting practices prescribed by the State of Maryland, Department of Agriculture, which is a comprehensive basis of accounting other than generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the Program for the years ended June 30, 1997 and 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of the State of Maryland, Department of Agriculture and Baltimore County, and should not be used for any other purpose. However, this report is a matter of public record and its distribution is not limited.



Brian J. Rowe, CPA
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August 14, 1998



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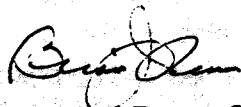
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We conducted our audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

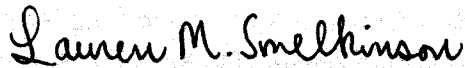
Compliance with laws and regulations applicable to the Program is the responsibility of the management of Baltimore County. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Program's compliance with certain provisions of laws and regulations. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

This report is intended solely for the information and use of the State of Maryland, Department of Agriculture and Baltimore County, and should not be used for any other purpose. However, this report is a matter of public record and its distribution is not limited.



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